

SPOTLIGHT

A publication focusing on loss prevention information from the Risk Management Division of Washington State's Office of Financial Management

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Department of Licensing Plans Enterprise Risk Management Approach

State agencies reach out and touch a wide variety of citizens with their services. But few touch as many citizens as the Department of Licensing (DOL). If you drive, register a vehicle or vessel, or have a business license, you have come into contact with DOL.

Touching this many people requires management of a vast amount of data, especially since it involves certifications. DOL not only touches an amazing number of citizens directly, it also provides a lifeline of information to agencies in carrying out their equally important missions—such as the Washington State Patrol.

"Focusing on process improvement, naturally addresses tort claim administration and management."

The nature of our business requires us to be experts in gathering, retrieving, and understanding data," said Andreta Armstrong, DOL staff consultant and risk manager. Information storage and retrieval is vital to all DOL operations. Changes or decisions made in isolated programs or sections may potentially impact agency-wide. "The 'products' of each division may vary, but for overall efficiency we need to act as one organism," said Andreta.

Recognizing this need, DOL is not resting on its relatively low loss track record or inherent business risks (compared to agencies of similar size). Instead, plans are in the works to take an "enterprise risk management" approach to fine tuning customer service and overall agency efficiency. The approach being planned is simple—use a common voice when serving all DOL customers through well-orchestrated operations. It's a strategy designed to perfect business practices, and at the same time afford opportunities for more effectively managing risk. Efficiency is paramount to maintaining reliable, accessible data given that data is the key-stone of DOL's mission.

Focusing on process improvement, naturally addresses tort claim administration and management," said Andreta. By creating a less fragmented organization, the agency will begin to make more calculated moves with increased understanding and awareness of cause and effect. DOL strives for a positive internal benefit as well. "We want DOL employees to see and feel the unity we are striving to build every bit as much as our customers. Good customer service and risk mitigation go hand-in-hand," said Andreta.

See page two for DOL's implementation plans.



Commercial Insurance Update

Lower Rates for 2004-05 Property Policy Renewal

The Risk Management Division is pleased to announce the new rates for the state's Master Property Policy (MPP), which renewed on July 1, 2004.

The new rates for the policy period 7/1/04 to 7/1/05 provide all risk coverage for buildings, contents and computer equipment scheduled on the policy.

Fortunately, the property insurance market has improved allowing the Risk Management Division to renew at a lower rate. The expiring rate was .13837 per \$100 of value, and the **new rate is .11681 per \$100 of value**. This rate reduction represents a **substantial savings for the state**.



The new policy has a **\$250,000 deductible per occurrence** on all losses except for earthquake and flood, which is the same as the expiring policy. Earthquake and flood losses have a deductible of 3% of the stated value at any scheduled location. Also, we have been able to retain the use of our current manuscript policy, which allows for broad coverage.

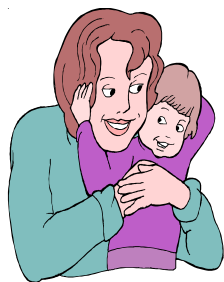
The MPP includes additional coverages such as business interruption, extra expense and increased reconstruction cost due to building laws.

For questions about the MPP renewal or related areas contact Nancy Heyen at (360) 902-7301 or nancy.heyen@ofm.wa.gov.

BEST PRACTICE CONCEPT – CODE ADAM PROGRAM

In a June 22, 2004 letter to all state agency directors, Department of General Administration director Rob Fukai, introduced a best practice recommendation. Agencies were encouraged to consider implementing the "Code Adam" Program.

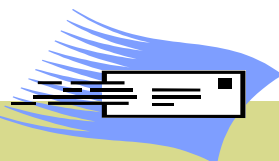
Code Adam is a program designed to locate and retrieve children who disappear while accompanying parents shopping in retail stores or visiting institutions and government building. The National Center for Missing and Exploited Children—the program sponsor—provides informational materials and training at no cost to the agency. The intent of Code Adam is to prevent children from being kidnapped after they get separated from the adult that is responsible for them.



Here's how it works. At such time a parent or other responsible adult realizes the child is missing, any employee in a retail store or government office is contacted. They obtain a description and contact a coordinator. The coordinator in turn contacts key people throughout the building that a child is missing and provides a description. The exits are guarded until the child is found. The value of the program is that employees (1) know what to do, and (2) can immediately activate the planned steps without delay.

The Washington State Department of Transportation is implementing the program at the Transportation Building in Olympia by tapping into their existing emergency coordination and security system. Specific employees will receive e-mails alerting them to guard exits. After the alert, the building search and rescue team coordinates to locate the child. The National Center is providing training for staff.

For more information on Code Adam, contact Mel Austin at the Department of General Administration at 360-902-0987 or e-mail him at maustin@ga.wa.gov. The National Center for Missing and Exploited Children also can be contacted at (709) 274-3900, or visit their web site at www.missingkids.com.



F A S T F A C T

Tort claims are identified as auto or general liability. The following is a "then and now" comparison of auto to general liability showing total number of claims and total claim payouts. Data represents statewide losses ranked by severity for the FY indicated by loss date.

A
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T
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A
B
I
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Y

FY 1993
352 claims
\$1,223,792
8% (severity)



FY 2003
384 claims
\$1,920,802
54% (severity)

L
I
A
B
I
L
I
T
Y

G
E
N
E
R
A
L

FY 1993
2,650 claims
\$14,028,690
92% (severity)



FY 2003
3,007 claims
\$1,611,084
46% (severity)

Note: When interrupting the data consider that auto claims typically close sooner than general liability claims, and that the FY 2003 claim payment data is still "immature" at the 8/30/04 run date. Also, claim costs *do not* include defense payments.

DOL Implementation Strategies

The Department of Licensing plans to improve efficiency and customer service with an enterprise risk management approach using the following strategies:

■ Risk Management Policy

Revise and approve the agency risk management policy (to include adding authority for the newly created risk management steering committee).

■ Risk Management Steering Committee

Assemble an agency risk management steering committee consisting of managers (mid or higher levels) from tort claim administration, safety, office services, human resources, budget, and other key areas. Grant them leadership authority, and charge them with embodying a "global" perspective on managing risk that also focuses on emerging risk issues on the horizon.

■ Executive Involvement

Create an executive level review process for risk management steering committee recommendations.

■ Risk Review of Specific Processes

Review all agency practices to determine those that can be standardized and/or communicated more effectively to the customer. Include documents/forms in the review to more effectively communicate the "one face for DOL".